Senate

General Assembly

File No. 214

January Session, 2011

Senate Bill No. 296

Senate, March 28, 2011

The Committee on Human Services reported through SEN. MUSTO of the 22nd Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING REIMBURSEMENT RATES FOR MEDICAID PROVIDERS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 17b-28b of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) On and after January 1, 1997, the Department of Social Services may award, on the basis of a competitive bidding procedure, contracts for Medicaid managed care health plans.

(b) A Medicaid managed care organization that has entered into a contract with the Department of Social Services shall reimburse providers at rates not less than the rates provided on the department's Medicaid fee schedule.

This act shall take effect as follows and shall amend the following sections:

Section 1	*from passage*	17b-28b

HS *Joint Favorable*

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 12 $	FY 13 $
Department of Social Services	GF – Precludes Future Savings	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

This bill precludes any managed care organization (MCO) that contracts with the Department of Social Services (DSS) from reimbursing providers at rates less than those paid under the department's Medicaid fee schedule. Currently, no MCO rates are below the Medicaid fee schedule, so there is no immediate fiscal impact to the state. However, if in the future, an MCO would have reduced any of its rates and passed these savings on to the department via lower negotiated capitation payments, the provisions of this bill would limit potential future savings. The amount would depend on which rates are adjusted (there are several thousand Medicaid rates) and by how much. The total estimated FY 11 expenditure for DSS MCO payments is approximately $871 million.

It should be noted that DSS is in the process of converting the current MCO contracts to an Administrative Service Organization basis, with a target implementation of January 1, 2012. If DSS carries through with this process, there would be no applicable DSS MCO contracts, and therefore no potential fiscal impact from the provisions of this bill after January 1, 2012.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis

SB 296

AN ACT CONCERNING REIMBURSEMENT RATES FOR MEDICAID PROVIDERS

SUMMARY:

This bill requires any managed care organization (MCO) that has contracted with the Department of Social Services (DSS) to reimburse providers at rates no less than those on DSS' Medicaid fee-for-service (FFS) fee schedule. Currently, DSS contracts with three MCOs, which subcontract with medical providers (e.g., physicians) to serve people enrolled in the HUSKY A program. HUSKY A is Medicaid for children and their adult caretaker relatives with family income up to 185% of the federal poverty level.

Since DSS and the MCOs are already under contract for the HUSKY A program, and the contract does not include an FFS floor, it would appear that under the bill, DSS would have to re-negotiate the contract to include one.

EFFECTIVE DATE: Upon passage

BACKGROUND

HUSKY MCOs and Provider Rates

The HUSKY A provider rates have been subject to several changes during the last few years. In 2007, the legislature appropriated funds for rate increases for many providers serving FFS Medicaid clients. In 2008, DSS re-procured services from the MCOs serving HUSKY recipients. To ensure that the FFS increases would go to HUSKY A providers, the new contracts required the MCOs to pass on rate increases they received to their subcontractor providers to bring their rates at least to the level established in the Medicaid FFS program. This established a new provider rate floor.

Previously, the contracts between DSS and the MCOs did not contain any such language, and MCOs could negotiate reimbursement rates without any guidance from the state.

The current biennial budget (FYs 10 and 11) assumes substantial HUSKY savings. The HUSKY MCOs recommended savings ideas to DSS, including eliminating the provider rate floor and in March 2010, DSS, in a letter to the MCOs, eliminated the floor for laboratory services and durable medical equipment (DME). In August 2010, DSS eliminated the floor for the remaining services through a contract amendment. The contract language stated that the lab and DME change was retroactive to March 2010, and for all other providers, it was retroactive to July 2010.

Per PA 10-179, DSS is preparing to use an administrative services organization model to deliver health care to HUSKY and Charter Oak recipients. It will no longer contract with MCOs to provide services to program beneficiaries. This change is scheduled to go into effect on January 1, 2012.

COMMITTEE ACTION

Human Services Committee

Joint Favorable
Yea 18 Nay 0 (03/10/2011)